What is Recruitment Outsourcing?

Estimated to be worth circa $26 billion in the UK and $157 billion globally many file recruitment outsourcing services under staffing or recruitment without a full understanding of the breadth & depth of services to industry and the impact on the economy. Even though it's been around in the UK since the early 1990's there is still much confusion and discussion regarding its complexity.

The very nature of outsourcing is to identify a problem and outsource to a partner who can provide the solution. This has evolved from the visibility of the organisation's contingent workforce, technology, managing cost control and the supply chain to far more sophisticated contingent and employee engagement models. These include workforce skills analysis & supply diagnostic, skills gap analysis, pay benchmarking, upskilling, workforce planning, and Equality, Diversity and Inclusion (ED&I). The provider manages all or some of every part of an organisation's recruitment process and experience for either contingent or permanent employees or both.

The mutual appeal of contingent work is the flexibility that it gives both the worker and end-user client. The worker may be a self-employed professional contractor or someone who can use the experience to assess the suitability of an employer, learn new skills, increase their earning potential, or use the arrangement to achieve the work/life balance they need. For an employer they also get the opportunity to try before they buy, as well as hiring in for specific workload and projects without the burden of a longer-term fixed cost and the opportunity to gain insight from skills in the market or indeed skills that are not available within their organisation or on a permanent basis. The UK contingent labour market is highly skilled and post pandemic provides both parties with the flexibility they seek.

The use of recruitment outsourcing started in the technology sector before quickly spreading

$26 billion UK

$157 billion globally

Recruitment outsourcing services worth in $billions

to financial services, life sciences and can now be found across most industry sectors and the public sector with different levels of maturity. An organisation embarking on recruitment outsourcing is considered generation 1 with each contract lifecycle/ provider taken as the next generation. Organisations monitor their contingent labour by overall cost (spend)

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and percentage of the overall workforce. Non-permanent employees were historically thought to be 10% of a business's overall workforce globally but following the turn of the millennium this rose to 20% and in some organisations this is now as high as 50%. A global organisation of 40,000 employees can expect a minimum of 4,000 of those workers to be contingent but will typically see 8,000. The number of workers greatly impacts the money outlaid, as the majority of spend is worker pay and statutory costs before supply chain and the outsourcing partner's fees.

A managed service programme (MSP) for contingent labour provides services for a specific period of time, typically for an initial contract period of 3 years with an option to extend. An MSP provider will be responsible for the entire process of sourcing, onboarding, managing and off-boarding these workers. They will typically provide or partner with a technology platform (VMS) to manage the entire process from requisition to payment of the supply chain and/or workers.

An MSP provider who is vendor neutral will not source candidates directly but will work with the recruitment supply chain to manage the vacancies on behalf of the end-user client. They will negotiate contracts and rates, procure suppliers, manage compliance and provide reporting on hiring, costs, invoicing and performance against an agreed service level agreement.

An MSP provider who operates a hybrid model will source candidates typically for certain disciplines or across all of the customers' requirements with a supply chain providing support in hard to fill/niche roles.

Permanent recruitment process outsourcing (RPO) can be done on an ongoing basis or for a finite period of time, such as to support a specific project (Project RPO) or a hiring campaign (RPO On Demand). The goal is to improve the efficiency,

effectiveness and quality of the recruitment process (candidate experience) whilst reducing costs and risks associated with hiring employees. The RPO provider can be responsible for part or all of the candidate attraction, sourcing, screening, onboarding and in some instances offboarding. In partnership with the organisation they will advise on brand awareness, sourcing channels, create compelling attraction campaigns and develop the employee value proposition. Depending on the organisation's requirements the entire talent acquisition team is outsourced, embedded and managed by the recruitment outsource provider.

In conclusion, outsourcing is fully embedded in the global professional staffing industry, working with organisations and recruitment companies to deliver a positive experience for candidates, whilst securing a compliant, efficient supply chain utilising the latest technologies for workforce management. They are a critical component in the evolving 21st century global labour market.